

## **IRS TO DROP PAPER 1040PC FORMAT IN 2001**

WASHINGTON -- The Internal Revenue Service will not accept paper returns in the 1040PC format after the current processing year.

"We have been encouraged by the public's response to the various filing alternatives we have offered in recent years," said IRS Commissioner Charles O. Rossotti. "We hope that computer users who tried the 1040PC will take the step to file electronically in the future."

The 1040PC is a three-column printout option that the IRS introduced in 1991. The IRS offered it as an alternative for computer-prepared returns that could not be filed electronically. After reaching a peak of 8.4 million returns in 1997, 1040PC usage has declined each year. As of May 19, the IRS had received about 5 million 1040PC forms, down 20 percent from the same time last year.

The availability of e-filing for home computer users and the increase in forms eligible for e-filing have reduced the need and attractiveness of the 1040PC format. Individuals can e-file more than 95 percent of returns now and the IRS expects all will be eligible by 2002. More than 35 million taxpayers have e-filed so far this year -- nearly 30 percent of all returns.

The IRS decided that the 1040PC's shortcomings far outweighed its benefits:

- Although the IRS had expected the 1040PC to be more economical to process, this did not happen. The minimal productivity gains were offset by the need for more experienced personnel to handle these returns.
- The paper 1040PC is not compatible with the IRS Restructuring and Reform Act's goal of having all computer-prepared returns filed electronically by 2003.
- Since taxpayers find it easier to file their federal and state returns in the same way, state tax administrators consider the 1040PC to be a barrier to greater use of e-filing for state returns. Nearly 12 million taxpayers used the combined federal/state e-filing program this year, with many others using stand-alone state e-filing options.

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